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C O N F I D E N T I A L ALEXANDRIA 000721

C O R R E C T E D C O P Y (HEADING ADDING ADDEES)

E.O. 12356: DECL:OADR

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SUBJECT: ALEXANDRIA: CONSENSUS OF VIEWS ON
THE PROBLEMS FACING EGYPT: THE ECONOMY

¶1. CONFIDENTIAL - ENTIRE TEXT.

¶2. SUMMARY AND COMMENT: DURING A DAY-LONG SERIES OF MEETINGS OCTOBER 17, CG SCHELL AND VISITING NEA/EGY DIRECTOR SURBER HEARD FROM A CROSS-SECTION OF OUR REGULAR LOCAL CONTACTS THAT THE MOST SERIOUS PROBLEM FACING EGYPT TODAY IS THE ECONOMY, MORE SPECIFICALLY, THE LACK OF EMPLOYMENT OPPORTUNITIES. OUR CONTACTS WERE ALMOST UNANIMOUS IN THEIR VIEWS THAT ISLAMIC FUNDAMENTALIST MILITANCY DERIVES MUCH OF ITS MOMENTUM FROM THE FRUSTRATIONS AND HOPELESSNESS WHICH ATTEND THE CURRENT SITUATION. THEY ALL RECOGNIZED THE NEED TO CONTINUE THE PROCESS OF ECONOMIC REFORM AND TO CREATE JOBS AND A FUTURE FOR EGYPTIANS. COMMENT: THOUGH NOT NEW, THEIR MESSAGE WAS NONETHELESS REMARKABLE FOR ITS UNIFORMITY. END SUMMARY AND COMMENT.

¶3. THE ALEXANDRIANS WHO MET WITH NEA/EGY DIRECTOR SURBER AND CG SCHELL OCTOBER 17 REPRESENTED A CROSS-SECTION OF OUR LOCAL CONTACTS. THEY INCLUDED THE MAYOR OF ONE OF ALEXANDRIAS SIX DISTRICTS, THE DIRECTOR OF AN A.I.D.-FUNDED SMALL BUSINESS PROJECT, SEVERAL YOUNG AND SUCCESSFUL BUSINESSMEN, A MEMBER OF THE SHOURA COUNCIL, AND A MEMBER OF THE PEOPLES ASSEMBLY, WHO IS ALSO AN ACADEMIC.

¶4. A CONSENSUS EMERGED FROM THE SERIES OF INDIVIDUAL MEETINGS WE HELD; NAMELY THAT THE ECONOMY IS THE MOST SERIOUS PROBLEM FACING EGYPT TODAY AND, SPECIFICALLY, THAT THERE IS A CRITICAL NEED TO ADDRESS THE UNEMPLOYMENT PROBLEM AND INCREASE THE ROLE OF THE PRIVATE SECTOR. THE DISTRICT MAYOR, A HARD-WORKING PUBLIC SERVANT HEAVILY-INVOLVED IN LOCAL PUBLIC WORKS PROJECTS, STATED FLATLY THAT THE UNEMPLOYMENT PROBLEM WAS BEYOND HIS LOCAL RESOURCES. THE A.I.D. PROJECT ADMINISTRATOR, WHOSE PROJECT PROVIDES LOANS FOR SMALL BUSINESSES, SAID THAT EVERY 1,690 L.E. (APPROX. USD 510) HE LOANS CREATES ONE NEW JOB. HE WAS AN AGGRESSIVE ADVOCATE OF JOB-CREATION AND THE ROLE OF THE PRIVATE SECTOR IN RESTORING THE AILING ECONOMY. HIS VIEWS WERE ECHOED BY THE YOUNG BUSINESSMEN AND BY THE SHOURA COUNCIL MEMBER, WHO ARGUED FOR EXPANSION OF THE A.I.D.-FUNDED PROGRAM AND TOLD US THAT THE MAIN CHALLENGE OF HIS COUNCIL WAS TO "CONTINUE THE PROCESS (ECONOMIC REFORM) WHICH WE HAVE STARTED." FINALLY, THE PEOPLES ASSEMBLY MEMBER STRESSED THAT ECONOMIC REFORM WAS NOT JUST A MATTER OF GOVERNMENT DEREGULATION AND REDUCTION OF THE PUBLIC SECTOR. HE NOTED THAT THE BUSINESS COMMUNITY HAD TO BE READY INVOLVE ITSELF IN OFFERING AN ALTERNATIVE TO THE PUBLIC SECTOR.

¶5. OUR CONTACTS ALSO AGREED THAT EGYP'S ECONOMIC PROBLEMS, WITH THEIR ATTENDENT FRUSTRATION AND HOPELESSNESS, WERE BEHIND THE RISE IN FUNDAMENTALIST MILITANCY AND VIOLENCE. THEY NOTED THAT THE FUNDAMENTALIST MOVEMENT INCLUDED A SOCIAL WELFARE COMPONENT WHICH AIDS YOUNG EGYPTIANS IN THE PURCHASE OF TEXTBOOKS AND IN THE QUEST FOR HOUSING, THUS APPEARING MORE RESPONSIVE TO PEOPLES NEEDS THAN THE GOVERNMENT. THE ONLY POSSIBLY DIFFERING VIEW WAS THAT OF THE UNIVERSITY ADMINISTRATOR WHO, WHILE IN AGREEMENT ABOUT THE IMPACT OF ECONOMIC PROBLEMS, ARGUED THAT EXCESSIVE

FORCE AND OVERREACTION BY SECURITY FORCES HAD ALSO CONTRIBUTED TO INCREASED FUNDAMENTALIST POPULARITY AND MILITANCY. (HER VIEWS ARE REPORTED SEPTEL).

¶6. COMMENT: ALTHOUGH OUR CONTACTS CAME FROM A VARIETY OF BACKGROUNDS AND OUTLOOKS, THE SIMILARITIES IN THEIR ANALYSES AND CONCLUSIONS WERE STRIKING. NO ONE ARGUED WITH THE BASIC PREMIS OF THE NECESSITY OF ECONOMIC REFORM, NOR WITH THE PACE OF REFORM, YET ALL RECOGNIZED THE POLITICAL DANGERS THE PROCESS OF REFORM COULD BRING. THEIR COMMENTS ON FUNDAMENTALISM WERE ALSO REMARKABLY SIMILAR. END COMMENT.

¶7. NEA/EGY SURBER DID NOT REVIEW OR CLEAR ON THE TEXT OF THIS MESSAGE.

SCHELL